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des prix et des revenus

January 15, 1971

General publications

6-24

YEAR-END REVIEW

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The change of trend was particularly striking in the case of food prices, which account for roughly one-quarter of the total index. Early in 1970 the increase in this component of the index over the previous 12 months had been running as high as six per cent. By the end of 1970 declining farm product prices and an outbreak of competitive price-cutting by grocery chains had brought food prices down to a level 3.2 per cent below that of year earlier.



Prices and incomes commission

Commission des prix et des revenus

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The increase in the price index for consumer goods and services other than foods was 3.3 per cent over the 12-month period ending December, 1970. This was well below the 4.7 per cent increase experienced during 1969, and was the smallest 12-month increase since 1966.

Much of the progress made during the last year in curbing the rise in prices in Canada has involved a decline in business profit margins and in farm incomes which cannot be expected to continue indefinitely into the future. Thus, if the progress achieved to date in checking inflation in Canada is to be consolidated during 1971, an early and substantial moderation of increases in wages, salaries and other costs remains as essential as ever.

The much slower rate of price increase of recent months has, however, permitted greatly increased emphasis on measures to stimulate economic activity and expand employment opportunities. It has also affected the role of the Prices and Incomes Commission which, in the period immediately ahead, will be to maintain active surveillance of important changes in prices, costs and profits, to advise on what further action may be required to moderate the rise in costs and prevent a resurgence of price increases, and to complete its research program.

A major activity of the Commission in 1970 was the administration of the price restraint program agreed to at the National Conference on Price Stability on Feb. 9-10. At the conference business, professional and farm groups agreed on a program of direct restraint on price increases backed by price surveillance and reviews. Specifically, businesses agreed to keep price increases clearly less than cost increases during 1970. The program was endorsed at the Federal-Provincial Conference of First Ministers held later that month.

The Commission's Price Review Division, which has general responsibility for the study and analysis of particular price changes, undertook the administration of this program.

During the year the price restraint program prompted 1,758 reports of price increases to the Commission. Of these reports, 1,552 were received from consumers and 206 from companies. Among these there were 653 complaints about food price increases, 86 about drugs, more than 100 about household goods, 46 about newspapers, 73 about rents and 34 about hydro rates.

Detailed monthly information on price changes and markups was supplied to the Commission by 28 wholesale and retail firms, including major department stores and food chains.

The Price Review Division completed 243 preliminary reviews into price increases and there were 43 under way at year end.

There were 22 full-scale reviews completed and another 13 were still in progress at Dec. 31. In addition a comprehensive fact-finding study of steel price increases and their role in the inflationary process was released in February, 1970.

To the Commission's knowledge some 100 firms postponed or modified price increases because of the price restraint program. Products or services involved include: Air fares, cold storage charges, electric appliances, tobacco, foods, aluminum, gasoline and petroleum products, certain steel products, primary copper and copper products, certain hydro rates, glass containers, railway freight rates and bank charges.

In June the Commission proposed certain criteria as a guide to wage and salary increases granted during 1970, suggesting an upper limit of six per cent subject to a number of exceptions. These proposals were approved by the Government of Canada and discussed at a meeting of Ministers of Finance and Provincial Treasurers in Winnipeg. Since

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that time, the Commission's Wage and Salary Review Division has conducted 18 reviews into wage settlements reached through collective bargaining. The Commission has issued reports on nine agreements and releases are pending on a number of other pay increases, including some covering unorganized groups.

The division is currently undertaking a number of studies related to employee compensation and labor costs, including research on employment and fringe benefits in the construction industry. During 1971 this division will continue to examine and report selectively on current wage and salary increases. The Ontario Municipal Personnel Association has suggested that a study be conducted of arbitral awards made for firemen and policemen over the last several years, and the division proposed to examine these and other significant wage decisions made in public service jurisdictions.

In addition to its wage and salary reviews, the Commission will continue to conduct investigations and issue reports on particular price increases, informing the public and governments of the relevant facts. With the termination of the price restraint criteria and the associated wage and salary guideline on Dec. 31, 1970, these reviews will not, however, be conducted in the context of specific price and pay criteria as in 1970.

The Research Division of the Commission has been carrying out a program of studies bearing on the causes, processes and consequences of inflation in Canada. These studies are being conducted primarily by members of the staff in Ottawa, though some important research is being done under contract by universities and individuals.

Many of the studies are concerned directly with the reasons for increases in prices and incomes in the Canadian economy and with the circumstances in which these changes occur. Other studies are concerned with such matters as the regional transmission of changes in costs, prices and employment, the connection between Canadian prices and foreign prices, the response of labor and product markets to changing economic conditions, and the impact of government policy actions on costs, prices and economic activity. Many of the studies have now reached a fairly advanced stage and the results will become available later this year.

The Current Analysis Division keeps the Commission informed of current economic developments. Most of this division's work concerns the study, in some depth, of trends in prices, costs, productivity, employment and related developments central to the working of the Canadian economy

as a whole. During 1971 the Commission intends to report, from time to time on current developments in productivity, labor and other costs, profits and prices.

The Communications Division, the information arm of the Commission, is responsible for the publication of the reviews issued by the Commission and the dissemination of information about its activities.

During 1970 the Communications Division distributed some 100 publications, principally price reviews, wage and salary reviews, speech texts and news releases. Nearly 6,000,000 copies of a flyer were mailed warning Canadians of the dangers of inflation and asking them to report price increases which appeared unwarranted. A pamphlet was prepared which discusses the problem of inflation and what can and is being done to combat it. Some 160,000 copies of this pamphlet were distributed. In addition the division responded to some 10,000 letters prompted by the various public information projects undertaken by the Commission.

